

Message Text

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47

ACTION XMB-04

INFO OCT-01 EA-06 ISO-00 ERDE-00 ACDA-05 CIAE-00 INR-07

IO-10 L-02 NSAE-00 NSC-05 OES-03 FEAE-00 EB-07 COME-00

TRSE-00 OPIC-03 AID-05 IGA-01 CEA-01 PM-03 DODE-00

SS-15 SP-02 PA-01 PRS-01 USIA-06 /088 W

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R 040945Z MAR 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 1044

INFO AMCONSUL HONG KONG

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PASS EXIM

E O 11652: N/A

TAGS: ENRG, EFIN, RP

SUBJ: PHILIPPINE NUCLEAR POWER PROJECT

SUMMARY. JOHN CLARK, MEMBER EXIM BOARD OF DIRECTORS, RECEIVED PROPOSED PHILIPPINE NUCLEAR POWER PROJECT IN SERIES OF MEETINGS IN MANILA FROM FEBRUARY 26 TO 28. PHILIPPINE GOVERNMENT OFFICIALS, INCLUDING SECRETARY OF FINANCE VIRATA, EXECUTIVE SECRETARY MELCHOR AND NATIONAL POWER CORPORATION MANAGER REVANZO REPORTED ON CURRENT COST ESTIMATES FOR PROJECT AND STATUS OF GOVERNMENT'S NEGOTIATIONS WITH WESTINGHOUSE AND WITH FINANCIAL MANAGERS OF PROJECT. GOP OFFICIALS REITERATED REQUEST FOR EXIM'S FINANCIAL SUPPORT FOR PROJECT AND EXPRESSED HOPE TALKS COULD BEGIN WITH EXIM IN APRIL WITH A VIEW TO EXIM PARTICIPATION IN FINANCING FIRST UNIT IN FY 1975. IN MEETINGS WITH CLARK, REPRESENTATIVES OF MHT/FNCB/AMEX FINANCIAL MANAGERS FOR PROJECT SAID FINANCIAL MAGNITUDE OF PROJECT WOULD REQUIRE COORDINATION OF EXTERNAL BORROWING FOR PROJECT WITH OTHER EXTERNAL BORROWING BY PHILIPPINES. END SUMMARY.

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1. REVANZO TOLD CLARK THAT HE ANTICIPATED COST OF TWO UNIT PLANT WITH TOTAL GENERATING CAPACITY OF 1,250 MEGAWATTS WOULD BE \$1.5 BILLION. HE SAID WESTINGHOUSE HAD RECENTLY RAISED COST OF U.S. COMPONENT FROM \$695 MILLION TO 735 MILLION. EVEN THIS LATTER FIGURE DOES NOT REFLECT PRICE ESCALATION SINCE SEPTEMBER, 1974.

2. REVANZO SAID GOP MEETINGS WITH WESTINGHOUSE WERE NOW RECESSED, BUT WOULD RESUME BEFORE END OF MARCH WHEN GOP EXPECTS TO HAVE COMPLETED SOME FURTHER WORK ON LOCAL COSTING. ISSUES WHICH WILL BE TAKEN UP AT RESUMPTION OF TALKS INCLUDE FINAL COST ESTIMATES, AND DETAILS AND EXPLANATIONS OF PRICES. WESTINGHOUSE HAS STATED COST OF U.S. COMPONENT FOR FIRST UNIT IS \$70 MILLION MORE (ABOUT \$400 MILLION) THAN COST OF SECOND UNIT (ABOUT \$330 MILLION). REVANZO SAID GOP WOULD LIKE TO SEE A MORE COMPLETE EXPLANATION FOR THIS DIFFERENCE.

3. REVANZO ALSO REPORTED GOP HAD COMPLETED SATISFACTORY DISCUSSIONS WITH REPRESENTATIVES OF CITICORP INTERNATIONAL BANK, LTD., ASIA PACIFIC CAPITAL LTD., AMEX INTERNATIONAL LTD. AND MANUFACTURES HANOVER LTD. ON FINANCIAL MANAGEMENT OF THE PROJECT. HE SAID GOP HOPED TO MEET AGAIN WITH MANAGERS AFTER RECEIPT OF FINAL COST ESTIMATES IN ANTICIPATION OF MEETING WITH EXIM BANK.

4. FOLLOWING REVIEW BY CLARK OF CONSTRAINTS ON EXTENT OF ASSISTANCE EXIM MIGHT BE ABLE PROVIDE PROJECT, VIRATA ASKED WHETHER EXIM WOULD BE WILLING PROVIDE GUARANTEES FOR THIRD-COUNTRY FINANCING, MENTIONING POSSIBILITY OF OPEC OR OTHER NON-U.S. SOURCES OF FINANCING. CLARK STATED EXIM HAS TRADITIONALLY EXTENDED GUARANTEES TO PRIVATE FINANCIAL INSTITUTIONS IN WORLD FINANCIAL CENTERS BUT THAT HE DOUBTED WHETHER GUARANTEE COULD BE MADE AVAILABLE TO OPEC COUNTRY, PARTICULARLY IF LOAN WAS ON GOVERNMENT-TO- GOVERNMENT BASIS. CLARK SAID EXIM DISCUSSIONS OF PARALLEL FINANCING PROPOSALS WITH OPEC COUNTRIES HAD NOT YET PROVED FRUITFUL.

5. IN SEPARATE MEETING MANUFACTURERS HANOVER REPRESENTATIVES TOLD CLARK TENTATIVE AGREEMENT HAD BEEN REACHED BETWEEN NATIONAL POWER CORP. AND FINANCIAL MANAGERS FOR PROJECT. LIMITED OFFICIAL USE

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AGREEMENT INCLUDES MANAGEMENT FEES AND COMMITMENT BY GOP TO ORDERLY MARKETING OF EXTERNAL BORROWINGS. REPRESENTATIVES EXPRESSED CONCERN THAT BORROWING FOR PROJECT WOULD FACE DIFFICULTY IN INTERNATIONAL FINANCIAL MARKETS, IF OTHER PHILIPPINE BORROWINGS WERE EITHER EXCESSIVE OR POORLY TIMED. CITICORP REPRESENTATIVE SAID IN TALK WITH CLARK THAT MANAGERS BELIEVED MARKETS WOULD ABSORB FROM \$350 TO \$500 MILLION FOR PROJECT, ABOUT ONE-QUARTER TO ONE-THIRD OF TOTAL

PROJECT COST. MANAGERS ARE LOOKING TO EXIM, OTHER POTENTIAL
EQUIPMENT SUPPLYING COUNTRIES, OPEC COUNTRIES AND GOP FOR
REMAINDER OF PROJECT FINANCING. CLARK NOTED THAT PROPOSED
FINANCING FROM INTERNATIONAL FINANCIAL SOURCES WAS AS YET
INADEQUATE TO MEET CURRENTLY-ESTIMATED U.S. COSTS FOR BOTH
UNITS OF PROJECT.
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Message Attributes

Automatic Decaptioning: X
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Draft Date: 04 MAR 1975
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Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
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